

Message Text

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ACTION EUR-12

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L-02 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 AID-05

CEA-01 COME-00 EB-07 EA-06 FRB-03 NEA-09 OPIC-03

TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 STR-01 SAJ-01

FEA-01 USIE-00 INRE-00 NSCE-00 SSO-00 /104 W

----- 040577

O R 251912Z FEB 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 5601

INFO USMISSION EC BRUSSELS

USMISSION GENEVA

AMEMBASSY BONN

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E.O. 11652: N/A

TAGS: ETRD, OECD

SUBJECT: EAST-WEST TRADE IN OECD

REF: A. STATE 281286

B. GEWECKE-GLITMAN TELECON JAN. 15

1. SUMMARY: MISSION SOUNDINGS AMONG OECD DELS INDICATE NO STRONG ENTHUSIASM FOR DISCUSSING EAST-WEST TRADE ISSUES AT THIS TIME. WE BELIEVE HOWEVER THERE IS GOOD POTENTIAL FOR CONSTRUCTIVE DISCUSSION IN TRADE COMMITTEE IF REPRESENTATIONS MADE IN CAPITALS TO EXPLAIN US INITIATIVE AND INDICATE WHAT ASPECTS OF EAST-WEST TRADE US MOST INTERESTED IN DISCUSSING. ACTION REQUESTED: WASHINGTON VIEWS ON PRECISE AREAS OF US INTEREST AND RESPONSE CONCERNING PROCEDURES PROPOSED IN PARA 6. END SUMMARY.

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2. IN RESPONSE CONTINUED DEPT INTEREST IN POTENTIAL FOR

EXPLORING PROBLEMS OF EAST-WEST TRADE IN OECD (REFS A AND B), MISSION HAS SOUNDED OUT INFORMAL REACTION OF NUMBER OF DELS. ONLY SOLID NEGATIVE REACTION IN PARIS CAME FROM SWEDES, WHO ARE AFRAID OF PSYCHOLOGICAL IMPACT ON EAST EUROPEANS. AUSTRIANS ALSO SOMEWHAT DUBIOUS. DANES, AUSTRALIANS AND GERMANS GENERALLY POSITIVE, AND JAPANESE MODERATELY SO. UK IS NEUTRAL OR SLIGHTLY NEGATIVE AND CANADIANS SEEM TO BE WITHOUT OPINION. ACCORDING TO INFORMATION RECEIVED INFORMALLY FROM USEC, EC COMMISSION LIKELY TO TAKE NEGATIVE POSITION ON ANY NEW DISCUSSION OF EAST-WEST TRADE ISSUES IN OECD. OECD SECRETARIAT THINKS SUCH DISCUSSIONS WOULD BE USEFUL IF IN FACT MEMBER STATES WILLING TO PARTICIPATE ACTIVELY.

3. TAKEN ALL TOGETHER OUR SOUNDINGS DO NOT INDICATE STRONG ENTHUSIASM FOR UNDERTAKING OECD DISCUSSIONS OF EAST-WEST TRADE AT THIS TIME. EXCEPT POSSIBLY FOR COMMISSION AND SWEDES, HOWEVER, WE BELIEVE IT LIKELY NO DEL WOULD TOTALLY REJECT THE IDEA, PARTICULARLY IF US HAD WELL-FOCUSSED CONCEPT OF WHAT PURPOSE AND SCOPE OF CONSULTATIONS WOULD BE. INDEED KEY QUESTION ON MANY DELS' MINDS WHICH USG MUST ADDRESS IS EXACTLY WHAT WOULD BE SUBJECT OF OECD DISCUSSIONS.

4. IN MISSION VIEW THERE ARE NUMBER OF POSSIBILITIES FOR FOCUS OF OECD WORK ON EAST-WEST TRADE:

A. GENERAL IMPLICATIONS FOR TRADING SYSTEM OF INCREASING EAST-WEST TRADE. THIS COULD INCLUDE PROBLEMS CAUSED BY INCREASED BILATERALISM, PROTECTION FROM MARKET DISRUPTION DUE TO NON-ECONOMIC PRICING BY NON-MARKET ECONOMIES (NME'S), IMPLICATIONS OF NME PARTICIPATION IN "FREE TRADE AREAS" OR OTHER PREFERENTIAL ARRANGEMENTS, POTENTIAL FOR MANIPULATION OF TRADE FOR POLITICAL REASONS, ETC. TOPIC MAY BE A BIT BROAD AND DIFFUSE TO ATTRACT MANY DELS, ALTHOUGH FTA ISSUE COULD HARDLY BE HANDLED ANY OTHER WAY, GIVEN MEMBER STATE SENSITIVITIES. RATIONALE FOR THIS KIND OF APPROACH--ESPECIALLY AS US INITIATIVE--MAY ALSO BE WEAKER AS RESULT SOVIET REJECTION OF TRADE ACT.

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B. EXCHANGE OF VIEWS AND POSSIBLE COORDINATION OF APPROACH TO NEGOTIATING WITH NME'S IN MTN. THIS IS PROBABLY SINGLE ASPECT OF EAST-WEST TRADE OF MOST LIKELY INTEREST TO MANY DELS FOR OECD DISCUSSIONS, BUT SOME WOULD QUESTION DESIRABILITY OF HOLDING HERE RATHER THAN IN GENEVA.

C. PROBLEMS OF DOING BUSINESS IN EASTERN EUROPE.
EXCHANGES COULD INCLUDE EXCHANGE OF EXPERIENCE REGARDING
SUCH MATTERS AS ARBITRATION, ACCESS TO PURCHASERS, BUSI-
NESS FACILITIES, AND TAXATION, INCLUDING POSSIBILITY OF
MORE COORDINATED OECD APPROACH TO PROBLEMS IN THESE
AREAS. SUBJECT MIGHT BE OF CONSIDERABLE INTEREST TO US,
GIVEN OUR PRESENT AND PROSPECTIVE NEGOTIATIONS WITH SOME
NME'S, BUT IS PROBABLY OF MARGINAL INTEREST TO OTHER
OECD MEMBERS WITH LONGER EXPERIENCE IN TRADING AND
DEVELOPING BILATERAL RELATIONS WITH EAST EUROPEANS.

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FEA-01 USIE-00 INRE-00 NSCE-00 SSO-00 /104 W

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O R 251912Z FEB 75

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5. COMMENT. MISSION BELIEVES THAT CONSIDERATION OF
EAST-WEST TRADE ISSUES IN OECD COULD BE HIGHLY WORTH-
WHILE AND RECOMMENDS THAT INFORMAL PART OF NEXT WEEK'S

TC MEETING BE USED TO PUT FORWARD US IDEAS. TWO POINTS STRIKE AS ESSENTIAL, HOWEVER. FIRST, WE MUST BE SPECIFIC AS TO ASPECT OF SUBJECT WE WOULD WISH TO HAVE TC ADDRESS. OUR OWN FEELING IS THAT TOPIC (A) ABOVE WOULD BE MOST INTERESTING AND MAY BE AREA LEAST TOUCHED BY EARLIER DISCUSSIONS IN OECD OR ELSEWHERE. IT ALSO HAS HIGHLY SENSITIVE ELEMENTS, HOWEVER, AND MAY BE DIFFICULT TO SELL TO OTHERS. SECOND, RECALLING OUR INABILITY TO GET SIGNIFICANT EAST-WEST DISCUSSIONS UNDER WAY IN XCSS IN EARLY DAYS OF THAT BODY (TWO YEARS AGO), DESPITE HIGH-LEVEL APPROACHES, WE ARE CONVINCED THAT US INITIATIVE WILL HAVE TO BE EXPLAINED CLEARLY AND CAREFULLY, LIMITED OFFICIAL USE

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WITH PRECISE INDICATION OF SUBJECT MATTER, TO OECD GOVERNMENTS PRIOR TO MARCH 4-5 TC MEETING. WE ARE PARTICULARLY CONCERNED WITH EC COMMISSION, WHICH RESISTED US XCSS INITIATIVE AND IS LIKELY TO RESIST AGAIN UNLESS WE CAN SHOW HOW EXERCISE WOULD BE IN ITS OWN INTEREST IN CONTRIBUTING TO COMMON EC VIEWS ON EAST-WEST TRADE.

6. IF DEPARTMENT WISHES TO PURSUE INITIATIVE, THEREFORE, WE RECOMMEND USEC AND EMBASSIES IN OECD CAPITALS (ESPECIALLY BONN, LONDON, STOCKHOLM, PARIS, TOKYO, OTTAWA) BE INSTRUCTED TO EXPLAIN INITIATIVE TO HOSTS, INCLUDING INDICATION OF WHAT ASPECT OF EAST-WEST TRADE US WISHES TO TAKE UP IN TC. REPRESENTATION TO EC COMMISSION SHOULD PROBABLY BE AT FAIRLY HIGH LEVEL; COMMISSION COOPERATION WILL BE IMPORTANT ON ANY ASPECT, AND ESSENTIAL IF BILATERAL ARRANGEMENTS OR MTNS ARE SUBJECT. IN ADDITION, MISSION WOULD WANT TO EXPLORE POSSIBILITIES FURTHER WITH SECRETARIAT AND KEY DELS, ON BASIS PRECISE INDICATION OF US INTEREST. TCWP CHAIRMAN ROGERS WILL DISCUSS THIS MATTER WITH TRADE COMMITTEE CHAIRMAN HERMES ON FEB. 27 IN BONN IF WASHINGTON VIEWS RECEIVED IN TIME. TURNER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EAST WEST TRADE, MEETING DELEGATIONS, COMMITTEES
Control Number: n/a
Copy: SINGLE
Draft Date: 25 FEB 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP04892
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750066-0546
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750215/aaaaanbd.tel
Line Count: 209
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 STATE 281286
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by KelleyW0>; APPROVED <17 APR 2003 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EAST-WEST TRADE IN OECD
TAGS: ETRD, US, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006